

Core Services Category: Education

Study Area: Public Education Department/Higher Education Department Consolidation

High Level Recommendation:

Review internal structures of PED and HED to see if overhead can be reduced and resources moved into direct services to students. Reorganize each department independent of a merger to create efficiencies and cost savings. This option would likely lead to more efficient and effective use of staff.

Problem Statement: PED and HED have proven to be relatively ineffective oversight agencies. Governance structures at the departments, as well as local governance by school boards and boards of regents, are weak, and the mission and statutory focus of each agency is too diffuse.

With regard to public education, children are failing to demonstrate significant increased academic achievement, drop-out rates remain high, and of those students that do graduate and continue on to college a high percentage require remediation. In many cases, public school exit requirements are not aligned with higher education entrance requirements, resulting in the lack of a seamless transition from high school to college. Despite department efforts, the issues still exist.

Higher education concerns include low graduation rates, the inability to articulate transfer agreements between institutions, the slow pace in developing an effective funding formula, the proliferation of campuses and programs statewide, and difficulty in addressing completion issues. These issues are primary to the oversight and compliance function of HED. Despite department efforts, progress among institutions has been slow.

Efficiency concerns that affect both departments include double funding of dual credit programs including instructional material allocations, adult basic education, and IDEAL-NM.

Background and Findings:

- The Committee on Government Efficiency recommended merging PED and HED as a means of saving general fund dollars. Other supporters of this plan indicate that the merged agency would create a more seamless transition between high school and college, supporting the concept of a single P-20 or P-career education system.
- PED is established by Article XII, Section 6 of the New Mexico Constitution. That section grants the secretary of public education “administrative and regulatory powers and duties, including all functions relating to the distribution of school funds and financial accounting for the public schools...” PED’s structure and responsibilities are detailed in Chapter 9, Article 24, NMSA 1978, and the Public School Code, 22-1-1, et. seq. NMSA 1978. Eleven divisions are established: Administrative Services, Assessment and Accountability, Charter

Schools, Educator Quality, Indian Education, Information Technology, Instructional Support and Vocational Education, Program Support and Student Transportation, Quality Assurance and Systems Integration, Rural Education, and Vocational Rehabilitation. After the recent 3.2 percent general fund reduction, PED's general fund budget totals \$13.7 million with 314.8 FTE authorized. Currently, PED reports a 26 percent vacancy rate.

- HED is established in Chapter 9, Article 25, NMSA 1978. The statute creates the following nine divisions in HED: Administrative Services, Planning and Research, Financial Aid, Public Information and Communications, Adult Basic Education, Information Technology, Private and Proprietary Schools, Public Schools Liaison, and American Indian Post-Secondary Education. After the 3.2 percent general fund reduction, HED's general fund budget totals \$38.9 million, including \$22.9 million for student financial aid, with 51 FTE authorized. Currently, 28 percent of HED general fund supported positions are vacant.
- Given high vacancy rates in both agencies and substantial budget reductions since FY09, it is unlikely that merging the two entities will result in significant savings. The highest vacancy rates in the two departments have occurred in senior management and ASD functions. HED is holding four exempt senior management positions and one ASD position vacant. PED has six exempt senior management positions vacant, as well as three positions in the Office of Inspector General, eight positions in the Information Technology Division, and six positions in the Administrative Services Division. Both agencies have experienced service interruptions and bottlenecks due to the current hiring freeze, with the institutional finance/financial compliance divisions in both agencies sustaining high vacancy rates which interfere with their ability to meet deadlines and to perform oversight functions.

Options to Consider

- Review each agency's internal structure to determine if internal restructuring, including the possible elimination of divisions or staff, would result in significant savings or better alignment with statutory duties.
- Narrow statutory focus of each department to better serve the core mission.
- Move public school and institutional finance to DFA. The New Mexico constitution must be amended in order to move public school finance functions to DFA. See Implementation Plan for time frame.

Fiscal Implications

- Both PED and HED are experiencing staff shortages in their financial oversight functions that are not being filled as a result of the hiring freeze. Merging the two agencies would compound this problem by combining understaffed bureaus to oversee roughly 60 percent of the state budget.
- Cost savings that are a direct result from merging the two departments might be realized by eliminating certain positions that are duplicative between the two departments, e.g. Secretary, ASD director, General Counsel, PIO, IT manager,

and HR manager. It appears that the elimination of these positions in a merge would result in a modest savings of less than \$500 thousand.

- Although a position by position analysis has not been completed, it appears that some cost savings could be realized from reorganizing PED; however, reorganization of HED, which appears to be understaffed, could potentially offset any savings realized from PED reorganization.
- Caution should be taken when considering eliminating vacant positions to generate cost savings, as they may already be unfunded.

Implementation Plan

Merging PED and HED would require an Amendment to the NM Constitution – either eliminating PED altogether, or amending Article XII to create a new department of education. A constitutional amendment could not be effectuated any earlier than September 2011, but more likely during 2012.

- A joint resolution must be passed by a majority of all members of the House and the Senate during a regular session.
- Constitutional amendment could be submitted to the voters during either:
 - A special election, after the passage of the joint resolution, no earlier than 6 months after the adjournment of the session. The Secretary of State's office reports a special election would cost \$4 to \$4.5 million. Earliest possible special election September 2011; OR
 - The next regular election after passage of the joint resolution. Next regular election currently anticipated would be November 2012.

As a result of this, it appears that the merger of PED and HED could be effectuated and funded no earlier than FY13, and more likely FY14. In addition to the joint resolution and constitutional amendment:

- Current statutes would need to be repealed or amended, and new law enacted to create the merged department (if not created by constitution) and define the department's responsibilities and duties.
- In order to make legislative changes during the 2012 30-day session, a message from the governor would be required.

